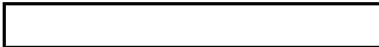


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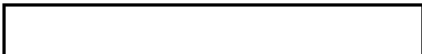
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20 June 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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* * *

GENERAL

1. Australia rejects British request to ease import restrictions: During his recent talks with Prime Minister Churchill in London, Australian Prime Minister Menzies was sympathetic but rejected British requests for a substantial relaxation of Australia's severe restrictions on imports from the United Kingdom.

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[redacted], Menzies is "reasonably hopeful" of an early improvement in Australia's balance of payments position, but they also admit that that country's drain on the sterling area dollar pool is continuing, despite its restrictions on hard currency imports.

Menzies is counting on International Bank assistance in long-term financing of Australia's capital development plans, but fears it may only be obtained in the form of loans for specifically approved projects. [redacted]

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EASTERN EUROPE

2. Reinstatement of politically doubtful Bulgarian military officers: The expansion of the Bulgarian Army since mid-1950 has been accompanied by the recall to active duty of many officers of the Royalist Army and by the reinstatement of some Communists who were purged during the postwar years. This procedure marks a major reversal of the former Communist policy of emphasizing political purity in the active and reserve components of the officer corps, and is in keeping with a trend toward placing greater emphasis on professional military capabilities than upon political ideologies within the Bulgarian military establishment. [redacted]

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Comment: Although the reinstatement of military officers of doubtful political reliability indicates an increased emphasis upon the military as opposed to the political merits of Bulgarian officers, political purity continues to be a primary qualification for advancement. It is possible that the recall of politically questionable military professionals represents only a temporary expedient necessitated by increased demands on the part of the expanding Bulgarian military for competent and experienced leaders.

3. Merger of all Czech student organizations into single trade union increases control over manpower: All existing student organizations in Czechoslovakia are to be merged into a single trade union within the framework of the Revolutionary Trade Union Movement. It will be called the Union of Employees and Students of Universities and Scientific Institutes. [REDACTED]

Comment: The unionizing of all students in higher educational institutes is the latest step in the government's attempt to gain more complete control over all sources of manpower. This move is the logical consequence of a recent government decree allocating graduates of universities and special schools to specific enterprises for three years.

Other recent measures attempting to force school children into the labor market include the organization of labor brigades in which school children and university students are compelled to work for four weeks during summer vacation, and the examination of 15-year-olds to determine which ones will be permitted to continue their schooling and which ones will be assigned to work in mines, factories and foundries.

4. USSR reportedly takes over full control of Hungarian aluminum industry: The USSR is reported [REDACTED] to have taken over full control of the hitherto jointly-administered Magyar-Soviet Bauxite Aluminum Company. Simultaneously the chief of the nonferrous metals department of the Ministry of Mining and his deputy were removed. [REDACTED]

Comment: The USSR has gradually been tightening its control over this key Hungarian industry. Assumption of complete control by the Soviet Union is logical in view of the recent severe criticism levelled at the bauxite industry and the critical need of the Soviet Orbit for aluminum.

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During 1951, Hungary accounted for more than one third of the total Soviet Orbit bauxite production, and augmented the USSR's production of aluminum by 15 percent. The Hungarian bauxite industry in 1952 is scheduled to increase its 1951 output by fifty-three percent.

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5. Substitution of ruble for leu rumored in Rumania: There are rumors in the Bucharest area that the Rumanian Government is planning to substitute the Soviet ruble for the Rumanian leu, [REDACTED]

25X1 [REDACTED]
25X1 The frightened Bucharest populace is said to be buying all foodstuffs and merchandise available on the market.
[REDACTED]

Comment: There has been no other confirmation of this report. The revaluation of the Rumanian currency in January plus constant rumors of integration into the USSR, the recent judicial reform, the current drafting of a new Rumanian constitution which is expected to follow the Soviet model, and the purge of several top Rumanian leaders all may have contributed to the strength of this rumor that the ruble would be substituted for the leu.

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6. 25X1X Yugoslav forces impress [REDACTED]

25X1X [REDACTED] visited Yugoslavia for a week this month
25X1 [REDACTED] He considered that the military schools and demonstration maneuvers which he saw were better than expected, and his general impression was that the Yugoslav forces, [REDACTED],
25X1 are competent and could give a good account of themselves against any attack from the east. [REDACTED]
[REDACTED]

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7. Yugoslavia cuts staff in Sofia to minimum: The Yugoslav Government is recalling all but one official of its embassy staff in Bulgaria, according to an official Belgrade radio announcement. [REDACTED]

25X1 Comment: Yugoslavia and Bulgaria have, since April, exchanged a series of bitter complaints concerning mistreatment of diplomatic missions. The latest Yugoslav note charged that Bulgarian secret police kidnapped a Yugoslav employee from the embassy grounds in Sofia, violating extraterritorial rights.

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It is probable that the Bulgarian staff of four diplomatic officials in Belgrade will now be reduced. While relations between the two countries have been moving in the direction of a complete break, it would appear to be advantageous for both countries to continue maintaining diplomatic missions for propaganda, intelligence and subversive work.

8. Yugoslavia employs threat of Italian imperialism as basis for closer Greek-Yugoslav cooperation: In reacting to scattered unfavorable Greek press comments regarding improved Greek-Yugoslav relations, the important Belgrade daily Politika emphasized the need for a common struggle against a revival of Italian imperialism. "Today," comments Politika, "Greece and Yugoslavia are united by the joint interests of protecting their national independence and peace in this part of the world." [REDACTED]

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Comment: It has been assumed by American officials in Belgrade that the development of friendlier Greek-Yugoslav relations has been accelerated by worsening Italo-Yugoslav relations.

This attempt by Politika to justify closer relations with Athens on the basis of realistic self-interest reveals the Tito regime's sensitivity to Cominform allegations of the creation of an "aggressive fascist Belgrade-Ankara-Athens Balkan Alliance." It also is possible that Tito is attempting to prepare the Yugoslav Communist Party for even closer relations with Athens and Ankara.

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FAR EAST

9. Japan urges early participation in COCOM: The Japanese Foreign Office desires early participation in COCOM in order to counter the increasing Diet and public demands for relaxation of export controls, according to the American Embassy in Tokyo. The Japanese believe that COCOM membership is essential to avoid speculation that a new organization is being planned to retain the present inequality between Japanese and European security controls.

The Embassy points out that Japan's export control policies are becoming an increasingly important political issue in the Diet. It suggests that some arrangement be made, such as sitting with a COCOM sub-committee group, to give the Japanese a feeling of participation in COCOM. [REDACTED]

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Comment: The Japanese Government is finding it increasingly difficult to defend its strict export control policies, particularly on items of little strategic value which are not on the Battle Act lists. The United States has informed Japan that it will retain its present controls pending multilateral talks.

10. South Korea political compromise may be introduced in Assembly on 20 June: Ambassador Muccio reports that [REDACTED] 112 Assemblymen have now signed a resolution supporting a "Four-Point Compromise" amendment to the constitution. The legislation will probably be introduced on 20 June. [REDACTED] the amendment would pass but warned that if the Assembly refused, a hunger strike would be staged before Rhee's residence and he would be forced to dissolve the Assembly.

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The Ambassador comments that Rhee supporters and opposition are both avoiding commitment on the conduct of the next presidential election. [REDACTED]

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Comment: While the compromise amendment calls for popular election of the president, there is some question as to whether the immediate election should be by popular election or by the Assembly as the constitution now requires. The Four-Point Compromise, in addition to calling for direct presidential election and a bicameral legislature, would include measures making the cabinet responsible to the Assembly.

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11. Chinese Communists add engineer regiment to army: The Chinese Communists have added an engineer regiment as an integral part of each army organization, [redacted] Of the 42 regiments which will ultimately be subordinated to Chinese armies, 28 will be trained in China and equipped by the end of 1952. [redacted]
- 25X1X 25X1A

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Comment: One of the significant achievements of the Chinese Communists in Korea has been their ability to add supporting organizations in arms and services to each of their ground armies. This progress has been shown by the addition of artillery units. While there is some evidence of similar engineer support in Korea, there has been no report of an engineer regiment subordinated to an army.

12. Chinese Nationalists to ratify Sino-Japanese Treaty by small majority: The Chinese Nationalist Kuomintang Central Reform Committee ordered the Legislative Yuan to ratify the Sino-Japanese Peace Treaty by a very small majority to emphasize the government's general dissatisfaction with the treaty.
- 25X1

Comment: The Nationalist Government's main criticism of the treaty is its failure to recognize their claim to the Chinese mainland. The scope of the treaty is limited to territory actually under Nationalist control now or in the future.

13. Viet Minh general offensive unlikely until September: No heavy activity by Viet Minh forces is likely until the end of September, [redacted] Some reorganization is being carried out for the purpose of harassing French forces with regional units led by a few regular troops.
- 25X1X 25X1

25X1X

[redacted] a variety of diseases are prevalent in Viet Minh territory. In the frontier area of Tonkin there is an epidemic of cholera, the extent of which is unknown, while other diseases are reducing the efficiency of two enemy divisions northwest of the French perimeter. [redacted]

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Comment: Although [redacted] stated that the two divisions mentioned are preparing to attack, most information supports the unlikelihood of a general Viet Minh offensive before the end of the rainy season in September.

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Diseases of many sorts are endemic to this area and heretofore have not decisively reduced Viet Minh capabilities.

14. Indonesia wary at prospect of inspecting Koje POW camps: Indonesian press reaction has been generally receptive to the American State Department's suggestion that Indonesia join other neutral nations in an inspection of conditions on Koje Island. Editorial comment cautions, however, that the invitation should come from the United Nations and not from the United States alone. [REDACTED]

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Comment: The Chairman of the Parliamentary Foreign Affairs Section commented that he had no objection to sending Indonesian observers to Koje, but would prefer waiting until approval had been obtained from North Korea. The cabinet, characteristically, has made no comment. The present government, which is even more indecisive than its predecessors, cannot be expected to give an answer unless pressed.

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WESTERN EUROPE

15. Shift in tactics of French Communist Party may reflect Soviet policy toward Germany: The US Embassy in Paris believes that the French Communist Party's shift from agitation and propaganda to direct action against the Western defense build-up, to the detriment of its popular support, may be an indication of a new Soviet device of appealing to German nationalism on a scale involving some sacrifice to Communist strength in France. If this is the case, the Embassy warns against possible surprise action on the part of the Soviet Union which may reveal its willingness to pay a higher price for Germany. [REDACTED]

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Comment: The action of the French Communist Party was probably a part of the intensified Soviet-directed scare campaign designed to prevent a Western defense build-up, but the party is now retreating to less violent action as a result of government repression.

There have been no other indications that the USSR is willing to pay a higher price for Germany.

16. Response to French loan disappointing: The French Government is disappointed because the first three weeks of its new loan drive have resulted in the sale of barely half of the first bond issue. While 50 percent of the 457 million dollars received so far represents a return of hidden capital to circulation, less than 10 percent is in gold.

Subscriptions are lagging, particularly in rural districts, partly because of pre-harvest cash shortages, but also because of dissatisfaction with the government's current firm stand against agricultural price increases. [REDACTED]

25X1

Comment: The fate of the Pinay government will be determined largely by the success of this drive, the money from which is urgently needed to provide a minimum investment program and meet the administrative and military deficits. It is primarily important to the government for its psychological effect, however, because it tests popular confidence in the anti-inflation program.

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17. Influential Belgians favor four-power negotiations with USSR: Many influential Belgians believe that immediate ratification of the European Defense Community treaty and the Allied-West German contractual agreement without any attempt to negotiate with the Soviet Union would seriously reduce the chances for an East-West reconciliation later. Furthermore, some have stated that early discussions of the treaty are useless, since a four-power conference on the German question would alter the situation.

In a recent issue of the Socialist Le Peuple, the political editor, a prominent Socialist, expressed strong opposition to ratification of the Bonn-Paris treaties until after there had been negotiations with Russia. He criticized the rearmament of West Germany prior to German reunification talks, and added that if the agreements were ratified "tomorrow," negotiations with Russia would be useless and "peace would only be a matter of force."

At the recent meeting of the General Council of the Social Christian Party, the Foreign Minister stated that a four-power conference on Germany is advisable, since "peace on the basis of a compromise" with the Orbit is "preferable to war." [REDACTED]

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18. Dutch Prime Minister believes third world war probably can be avoided: In an off-the-record speech at the Netherlands-American Institute, the Netherlands Prime Minister stated that only through NATO could a third world war be avoided and that success here was "probable." He also said that the Netherlands, because it like other smaller European countries is concerned with the maintenance of a satisfactory standard of living, cannot make any further financial contribution to rearmament.

In the same speech, he expressed doubt concerning the effectiveness of the European Defense Community. He regarded as "illogical and inconsistent" the French position opposing direct membership for West Germany in NATO and favoring only an indirect membership for that country through the EDC.

Commenting on the speech, American officials in The Hague state that this was the first time they had heard the Prime Minister express his views so openly and firmly before a group. [REDACTED]

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19. Swiss firms press for trade quotas with Czechoslovakia:
Because of pressure from domestic firms, the Swiss Government's Economic Department during the early part of 1952 granted large export quotas for Czechoslovakia. The Georg Fischer and Scintilla firms were granted quotas totaling 1,350,000 Swiss francs, with the latter firm promised a further quota.

25X1 [REDACTED]

Comment: The quotas mentioned in this report are but a fraction of those granted in previous years. This report, then, tends to confirm others that the Swiss are limiting their legal trade with Orbit countries in conformity with Switzerland's commitments to the United States.

20. Franco reportedly plans to assume position of regent:
25X1X [REDACTED] General Franco plans to name the minor son of Don Juan as heir-apparent to the Spanish throne and to assume the position of regent himself. This action will allegedly be taken before 18 July, the anniversary of the outbreak of the Civil War. [REDACTED]

25X1 [REDACTED]

Comment: Such a step would permit Franco to remain in power another 16 years.

The Pretender, Don Juan, has consistently refused to relinquish his rights to the throne in favor of his son or to recognize the validity of the 1947 Law of Succession.

If Franco carries out this plan, he will risk creating an incident serious enough to threaten the security of the regime. Such action would therefore indicate his confidence in the security of his position.

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LATIN AMERICA

21. Argentina bars broadcast of US denial of press censorship:
The director of the Argentine government-controlled radio on 18 June refused to allow the US Embassy in Buenos Aires to broadcast the State Department's official denial that Senora de Peron's "The Reason for my Life" has been banned in the

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United States. The previous day the director had cut the statement from the script of the Embassy's radio program on the grounds that permission for its use had to come from higher authorities.

The Embassy comments that it is now evident that Argentine officials will not allow the denial to be broadcast or to be published in the Spanish-language press. [REDACTED]

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25X1 [REDACTED] Comment: Charges that the United States has banned Senora de Peron's book currently highlight Argentina's anti-US campaign. Only two small English-language newspapers in Buenos Aires have published a denial of the charges.

25X1 [REDACTED] on 19 June that she has only a few days to live. The current propaganda may be related to this circumstance.

25X1X

22. Surinam delegates to Dutch Round Table Conference reportedly planning revolt [REDACTED] in Surinam has told the American Consul there that four of the seven delegates to the recent Round Table Conference in The Hague held a secret meeting late last week to plan a revolt, and later distributed "crude pamphlets" urging the people to resist the Dutch Government.

25X1 The Commander of the Dutch Forces in Surinam, who has doubts concerning the reliability of 60 percent of the native police in the capital city of Paramaribo, states that he has reinforced the Dutch garrison there and sent troops to guard Zandery airport. He has also ordered his forces to conduct maneuvers, including street-fighting exercises, in the capital; he believes this show of strength will deter disturbances. [REDACTED]

Comment: The Surinam delegation to the Round Table Conference, which was to revise the relationship of Surinam and the Netherlands West Indies to the Dutch Government, was thought to be relatively satisfied with the Dutch proposals when it left for The Hague. During the negotiations, however, the group became divided and the dissenting faction raised a number of objections which led to "interruption" of the Conference.

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Although a Communist-dominated group of Surinamers in The Hague, calling itself the National Surinam Commission, apparently tried to exploit the dissenting position, the Dutch Foreign Office said it felt that the Surinam delegation considered the Commission merely a nuisance.

23.

Renewal of student strikes feared in Panama: The Normal School of Santiago, Veraguas Province, a focal point of Communist-inspired agitation, has been closed by the Minister of Education after a week of student disorders. Eight student leaders recently expelled for their part in the disorders are on a hunger strike. Ruben Dario Souza, leader of the Communist People's Party is in Santiago, presumably trying to foment trouble. The government is concerned over possible repercussions in the University and other schools of Panama City. [REDACTED]

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Comment: The agitation in Santiago appears to be instigated in large part by the youth section of the People's Party, which has recently been active among the students there.

Another student group, the Students' Federation of Panama, has reportedly been considering a general students' strike as a protest against Remon's victory in last month's presidential election. However, now that the elections are over, the government is expected to take strong measures to prevent widespread student disorders. President-elect Remon has declared his intention of clearing out Communist influence in the University even if it becomes necessary to close it "for about a year."

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20 June 1952

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TO THE CURRENT INTELLIGENCE DIGEST

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WESTERN EUROPE

1. New Italian demonstrations against Allied government in Trieste foreseen: The American Political Adviser in Trieste warns that the local Italians may resort to new demonstrations against the Allied Military Government as a means of ending the widespread dissension among themselves over who is to be appointed to the posts opened to them by the recent London agreements. He notes numerous rumors and several recent developments, reflecting a serious increase in irredentism, to support his warning.

Although Premier de Gasperi will personally nominate Italian officials in Trieste, he will be advised by Silvio Innocenti, a neo-Fascist who heads the Office of Border Zones in Rome. The expected appointment of men of markedly irredentist outlook will lead to increased friction between Allied Military Government authorities and local Italian officials.

Comment: Because of his weakened political position since the recent elections, De Gasperi will probably be less able than ever to withstand pressure from irredentist and ultranationalist elements in nominating officials for the new posts.

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